

**Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201**

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

Date: May 17, 2011

LEGEND

UIL 4945.04-04

w= grant amount
X= Fellowship Program
Y= Area
Z= Previously Approved Program

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(3) of the Internal Revenue Code, dated June 23, 2010.

Our records indicate you are recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates you will operate a fellowship program called X. The purpose of the fellowship is to enhance the community-building skills of the grantees and for the purpose of strengthening community vitality in select rural communities in Y. You plan to award seven fellowships this year and anticipate it to grow to 20 fellowships annually. Each fellowship will be for w dollars.

Selection Process

The selection committee will be made up of members of a community development program your organization conducts. The recipient will not be able to be related to members of your board, staff or the leadership development contractor.

In order to be eligible for the fellowship the applicant must have a bachelor and graduate degrees in relevant subjects preferred; graduate of Z, capacity and desire to engage in life-long learning activities; interest in and ability to work with a diversity of people of different ages, ethnicities, political interests and experiences; able to search for, interpret, evaluate, manage and share external resources available to rural communities; ability to plan and develop processes and events that engage the public in programs supported by you; willingness and ability to travel; collaborative approach to community dialog, discussion and problem solving; top notch speaking and writing skills; and a keen interest in rural community vitality, both in theory and practice.

The fellowship will be advertised on your website. Currently you have 3,000 graduates of Z who are eligible for this fellowship. You anticipate this amount will grow by 500 each year. The applicant will be nominated based on individuals who are demonstrating high capacity community leadership, a collaborative style, and an ability to bring people together to get things done.

The recipient will be notified in writing they have received a fellowship from you. The will need to sign an agreement with you.

To re-apply the recipient would need an annual report outlining activities, accomplishments, and satisfactory progress on individual community development goals and objectives. They will need to show evidence of their ongoing commitment to coaching communities toward their own vision, priorities, and measures of success; assisting communities to move to action; leveraging local resources to draw on external sources, including individuals, philanthropy, non-profits, business, and government; encouraging development of projects and programs that draw on best theory and practice; directing communities to full use of their own resources of time, energy, and dollars to move projects and programs forward; assisting communities in measuring their own success; convening individuals, groups, and communities to strengthen social capital and networks while learning from each other; and sustaining strong relationships with key stakeholders and other community leaders.

Terms and Conditions

The applicants for the fellowships must be graduates of Z. and must have demonstrated a track record of significant community leadership and volunteerism. Other criteria for eligibility include capacity and desire to engage in life-long learning activities; interest in and ability to work with diverse people of different ages, ethnicities, political interests and experiences; ability to organize processes and events that engage the public; willingness and ability to travel; a collaborative approach to community dialog, discussion and problem solving; excellent speaking and writing skills; a keen interest in rural community vitality, both in theory and in practice; and preferably bachelor and graduate degrees in relevant subjects. Funds may not be used to carry on propaganda, or otherwise attempt to influence legislation within the meaning of section 4945(d)(1) of the Internal Revenue Code or influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive within the meaning of section 4945(d)(2) of the Internal Revenue Code.

The funds will be used to supplement living costs during the year of fellowship work. An additional amount per fellow may be allocated for pre-approved travel and related expenses. The grantees will be required to communicate regularly and provide reports to you regarding the outcomes achieved and information gained.

The fellowship places a community member in a leadership role in order to give the community member a chance to focus on and strengthen his or her leadership skills while also strengthening rural communities. The recipient will be called a fellow. Fellows will fill an essential role for you by serving as a key link between you and the select rural communities in Y. Fellows serve with a focus on strengthening community vitality. Fellows will stay engaged with community-based issues and share those observations with other community leaders and your organization. Fellows will serve as an educator, independently and in partnership with you.

A fellow will build personal leadership skills and promote community vitality in designated regions. This will occur by coaching communities to move to action toward their own vision, priorities and measures of success; assisting communities to move to action; leveraging local resources to draw on external sources which includes individuals, philanthropy, non-profits, business, and government; encourage development of projects and programs that draw on best theory and practice; direct communities to full use of time, energy, and dollars to move projects and programs forward; assisting communities in measuring success; convening individuals, groups, and communities to strengthen social capital and networks and learn from each other; and sustain strong relationships with key stakeholders and other community leaders.

The fellow is expected to develop and mentor an advisory committee within his or her designated region; serve as a conduit for information flowing between you and the stakeholder community; support community ambassadors in sustaining their capacity to deliver future community classes; facilitate community assessment, data collection, and other evaluation methodologies in collaboration with you and a university; assist you and other regarding organization and management of conferences in the region and annual community ambassador summit; help identify and prepare communities not yet in stage one; develop a basic knowledge of your grants and scholarship programs in order to broker accurate information and refer questions to your staff as appropriate; serve with other fellows in strategic discussions regarding rural community development; serve as a subject expert in a dimension of rural community vitality development such as health, economic development; early childhood development, education; and regularly communicate with your staff and other fellows.

Exercise of Supervision

Each grantee of the fellowship will be required to sign a grant agreement which required regular reporting to and communication with you describing information received and outcomes achieved with respect to rural community development. The recipient will be required to file an annual progress report outlining major activities during the previous year and progress on their community development plan.

Procedures for Review

You have a professional staff including a full-time grants manager who oversees all grants. All fellowship grantee reports will be reviewed by a program officers and a comprehensive electronic data base generates periodic reports to your chief executive officer and board of directors with respect to all grants. In addition, the grants manager and other staff are expected to make regular contact with the fellowship grantees to verify that your objectives are being met. The recipient will need to provide receipts and written explanation of all expenditures to be reimbursed.

If it is determined that a diversion of grant funds has occurred or that specific program objectives are not being met, appropriate remedial actions will be taken, including actions of the type described in Treasury Regulation Section 53.4945-4(c)(4).

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;

- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g)(3) of the Code and that

awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois Lerner
Director, Exempt Organizations

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